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Argentina

Oilseeds and Products Update

2014/15 Soybean Forecast Up: Four Percent Growth

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Report Highlights:
2014/15 soybean production area is forecast at 21 million hectares, with production forecast at 57 million metric tons (mmt), based on commodity prices and currency hedging. With sluggish sales, 2013/14 ending stocks are estimated at 12.6 mmt. 2014/15 peanut production area is forecast at 345,000 hectares. 2014/15 sunflower production area is forecast at 1.5 million hectares, with production forecast at 2.7 mmt.

Post:
Buenos Aires

Commodities:
Oilseed, Soybean (Local)

Oilseed, Peanut

Oilseed, Sunflowerseed

Soybeans

Oilseed, Soybean (Local) Argentina	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Apr 2013		Market Year Begin: Apr 2014		Market Year Begin: Apr 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	19,400	19,400	19,800	20,300	20,000	21,000
Area Harvested	19,400	19,400	19,800	20,100	20,000	21,000
Beginning Stocks	4,729	4,741	9,270	8,643	13,564	12,643
Production	49,300	49,300	54,000	55,000	55,000	57,000
MY Imports	2	2	2	0	2	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	54,031	54,043	63,272	63,643	68,566	69,643
MY Exports	7,817	7,900	8,500	9,000	9,000	10,000
MY Exp. to EU	50	50	50	0	50	0
Crush	35,004	35,500	39,120	40,000	40,350	42,000
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	1,940	2,000	2,088	2,000	2,152	2,000
Total Dom. Cons.	36,944	37,500	41,208	42,000	42,502	44,000
Ending Stocks	9,270	8,643	13,564	12,643	17,064	15,643
Total Distribution	54,031	54,043	63,272	63,643	68,566	69,643
1000 HA, 1000 MT						

2014/15 soybean production area is forecast at 21 million hectares, a four percent increase from 2013/14 area, and production is forecast at 57 million metric tons (mmt). With global commodity prices experiencing their first significant drop in several years, Argentine farmers face a 2014/15 planting decision predicament: Which crop will cause less economic loss or perhaps even see a modest profit? It is difficult to envision a scenario of Argentine farmers not producing. Given the projected loss in area planted to corn, Post is forecasting area growth for soybean production. Production costs have increased and commodity prices are down, but farmers view production as less a function of these variables and more a function of the exchange rate and government export policies. With this logic, farmers are not producing soybeans per se but rather hedging as best they can on future currency devaluation(s). Some analysts project that soybean production in marginal areas, e.g. northern Argentina, will decrease, due to the high transportation costs to the ports. However, other analysts foresee increases in production area in these regions, due to the region's proximity to other markets.

2014/15 soybean planting is set to commence in October, but most farmers are in waiting mode. Over the past few years, farmers have been holding onto their soybeans longer, thanks in large part to the advent of silo bag technology, in an effort to get the best market prices and to capitalize on currency

fluctuations. For 2013/14 soybean sales, that trend continues but is significantly accentuated: instead of simply waiting for good prices, farmers are selling as little as possible—hence an estimated 40-45 percent of the 2013/14 soybeans are still unsold—and waiting to the last minute to buy inputs. Seed sales and fertilizer sales are behind. It is estimated that land rents will decrease in value, as farmers wait to lock in rents in relation to the decreasing commodity prices. This year, more farmers are linking land rents to a percentage of soybean production rather than to fixed amounts. Land rents are an essential component of production costs as an estimated 60 percent of soybean area is rented.

2013/14 soybean sales are impacting crushers and exports. 2013/14 crush is estimated at 40 mmt and exports at 9 mmt. Sales are slow as farmers hold onto soybeans as a currency hedge: 2013/14 ending stocks are estimated at 12.6 mmt. Crushers maintain that their plants are working at 55-60 percent capacity, and can only count on 10-15 day supplies to continue operations. Exporters are caught between diminishing prices and farmers who are hesitant to sell as they await potential alterations in the exchange rate. 2014/15 crush is forecast at 42 mmt, and will be determined by global soybean meal demand. Post anticipates any excess 2014/15 soybeans will be whole bean exports, forecast at 10 mmt.

Peanuts

Oilseed, Peanut Argentina	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Mar 2013		Market Year Begin: Mar 2014		Market Year Begin: Mar 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	380	388	334	383	340	345
Area Harvested	380	380	334	378	340	340
Beginning Stocks	523	523	713	713	865	730
Production	1,016	1,016	982	997	1,200	900
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	1,539	1,539	1,695	1,710	2,065	1,630
MY Exports	585	585	580	700	700	700
MY Exp. to EU	450	450	420	450	465	450
Crush	211	211	220	250	250	220
Food Use Dom. Cons.	20	20	20	20	22	20
Feed Waste Dom. Cons.	10	10	10	10	15	10
Total Dom. Cons.	241	241	250	280	287	250
Ending Stocks	713	713	865	730	1,078	680
Total Distribution	1,539	1,539	1,695	1,710	2,065	1,630
1000 HA, 1000 MT						

2014/15 peanut production area is forecast at 345,000 hectares. Industry sources estimate that prime peanut production land is capped at 380,000 hectares, but is also restrained by global demand. Producers also need to ensure the proper rotation of crop area. Because industry contacts estimate that as much as 90 percent of the peanut production land is rented, producers will face the challenge of finding production area with the ideal land rotation conditions. If adequate production area limitations and reduced credit impact planting decisions significantly, there is a chance 2014/15 area planted to peanuts could dip to as low as 280,000 hectares. With most farmers planting October to December, there is still time for farmers to adapt their planting decisions for peanuts. 2013/14 production experienced slightly-

reduced yields from a harvest prolonged by high moisture levels and climactic instability. 2014/15 exports are forecast at 700,000 tons, facing slim margins.

Sunflowers

Oilseed, Sunflowerseed Argentina	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Mar 2013		Market Year Begin: Mar 2014		Market Year Begin: May 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1,623	1,623	1,300	1,315	1,500	1,500
Area Harvested	1,623	1,623	1,300	1,315	1,500	1,500
Beginning Stocks	369	369	1,020	1,020	773	723
Production	3,100	3,100	2,100	2,100	2,700	2,700
MY Imports	9	9	8	8	7	8
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	3,478	3,478	3,128	3,128	3,480	3,431
MY Exports	84	84	75	75	80	70
MY Exp. to EU	20	20	20	20	20	20
Crush	2,344	2,344	2,250	2,300	2,500	2,500
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	30	30	30	30	30	30
Total Dom. Cons.	2,374	2,374	2,280	2,330	2,530	2,530
Ending Stocks	1,020	1,020	773	723	870	831
Total Distribution	3,478	3,478	3,128	3,128	3,480	3,431
1000 HA, 1000 MT						

2014/15 sunflower production area is forecast at 1.5 million hectares, with production forecast at 2.7 mmt. Production area continues at historic lows, due primarily to low economic returns, in addition to fewer projected hectares planted to sunflower in the provinces of Chaco and Santa Fe. Intense precipitation and flooding in the southeast region of Buenos Aires province will also inhibit area growth in the key sunflower producing province. Excessive water in Buenos Aires province may be a significant factor for farmers to plant sunflowers instead of soybeans, as planting dates get pushed back too far for ideal soybean yields. However, high production costs and a relatively lower commodity price paint a less-than-favorable scenario. By the end of September, 20 percent of the 2014/15 planting has been completed. 2014/15 yields are forecast back in line with trends. The 2013/14 yields were low outliers, based on dryness in many production regions. Many producers are looking to high oleic sunflower varieties to boost their economic returns, thanks to a market premium. Traditionally, high oleic sunflowers are lower in yields than their conventional counterparts. However, the nearly identical 2013/14 yields of conventional and high oleic are expected to increase by 20-30 percent the area planted to high oleic sunflowers.

Crush is forecast at 2.3 mmt, to meet domestic demand. Sunflower oil prices are domestically subsidized by the government, and this policy assists production and crush. By mandate, crushers must dedicate a percentage of their crush to sunflower and receive in compensation a portion of the export taxes from the government. Sunflower oil continues to be the cooking oil of choice for at least 70 percent of the population, and industry analysts believe that the policy reduces a liter of sunflower oil to a third of its market price, rendering it cheaper than a liter of water in many supermarkets.